GAMBLING IN CANADA

Triumph, Tragedy, or Tradeoff?

FIRST NATIONS GAMBLING POLICY IN CANADA

by

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JUNE 2001

CANADA WEST FOUNDATION

12

ABOUT THE GAMBLING IN CANADA PROJECT

Gambling in Canada: Triumph, Tragedy or Tradeoff? is an ndependent national study of gambling in Canada. Funded by a number of philanthropic foundations including the Donner Canadian Foundation, the 3-year Gambling in Canada Project ends in September 2001. Emerging from public debates about the expansion of gambling, the project was designed to provide a much-needed comprehensive picture of the public policy issues surrounding gambling in Canada. Four overarching research areas are being explored:

(1) the impact of gambling on the non-profit sector;

(2) opinions, attitudes and public policy implications of gambling;

(3) the history and scope of gambling in Canada; and

(4) the socio-economic impact of gambling on communities.

The Canada West Foundation's Gambling in Canada Project is not supported by any government, the gambling industry, special interest groups, or individuals with known positions on gambling issues. The research objectives and output of the project is overseen by a Project Advisory Committee to ensure the accuracy and objectivity of the research undertaken.

Copies of the latest research is available by contacting the Canada West Foundation. For information on the current activities of the Gambling in Canada Project, please contact:

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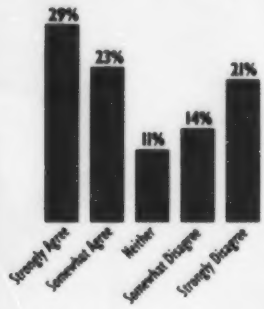
INTRODUCTION

In recent years, some First Nations across Canada have pursued increased gambling opportunities within their communities. The introduction of on-reserve gambling is seen as an important opportunity to help stimulate economic development, create jobs, and provide revenues to develop much needed infrastructure and social programs. In the long run, some argue that on-reserve gambling would allow First Nations communities to become less dependent on funding from the federal and provincial governments and, in so doing, increase their political and economic sovereignty. However, gambling is not always a economic panacea; the size and scope of the benefits are dependent on a number of factors including the level of market saturation, problem gambling impacts, and the ability to draw gamblers to reserves.

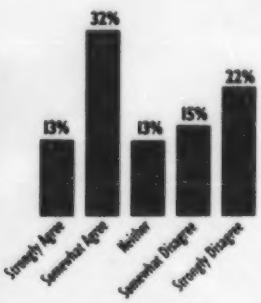
FIGURE 1: DO YOU AGREE THAT: "governments should license gambling on Aboriginal/Indian Reserves"



The perceived success of many American Indian casinos has served as a model for First Nations to refer to in their efforts to gain access to the Canadian gambling market. Tribal gambling has emerged as one of the fastest growing segments of the United States gambling industry, with annual revenues from tribal casinos increasing from $212 million in 1988 to over $6.7 billion by 1997 (National, 1999). This increase in revenues has helped many American Indian tribes develop a diversified economic base and improve social and community services on-reserve to rival services offered in nearby communities. In general, American Indian tribes throughout the United States are much more active participants in the commercial gambling industry than are First Nations in Canada. Many First Nations throughout Canada feel that they should be entitled to the same gambling opportunities as many American Indian Bands.

It is important to note that the establishment of gambling on First Nation reserves in Canada has begun. The current public policy need is to ensure that this expansion is done in a sound and sustainable manner. Policymakers should be prepared for potential challenges that may emerge with an increase of gambling on-reserves. Even though many of the experiences of tribal gambling in the US have been very successful, there are examples where gambling has not provided the economic prosperity envisioned. The issues of problem gambling, market saturation, accessibility to gambling venues for off-reserve clientele, and stewardship of revenue must be carefully addressed in order for First Nations gambling ventures to be successful.

FIGURE 2: DO YOU AGREE THAT: "gambling provides opportunities for economic development on Indian Reserves"



PUBLIC SUPPORT FOR ON-RESERVE GAMBLING

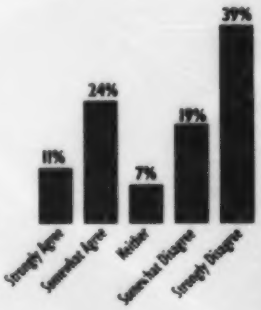
There exists public support for licensing gambling on First Nation reserves in Canada. In a 1999 Canada West survey, it was found that 52% of Canadians agree that governments should license gambling on First Nation reserves (see Figure 1; Azmier, 2000). Support for licensing on-reserve gambling is somewhat uniform throughout the provinces, with residents of Ontario being slightly more in favor. Public opinion as to whether gambling on-reserve will provide opportunities for economic development for First Nation communities is more mixed with 45% of Canadians agreeing (see Figure 2; Azmier, 2000). While this may at first seem inconsistent, the results suggest that as a matter of "right" or "entitlement", Canadians do believe that the First Nations should be able to conduct gambling on-reserve, but Canadians are doubtful as to whether or not it will provide net benefits for aboriginal communities.

In a just completed Canada West survey of 3,200 western Canadians, it was found that a majority (58%) do not feel that on-reserve casinos would benefit aboriginal communities (Figure 3). In every western province, a majority feel that on-reserve gambling does not benefit Aboriginal communities (see Figure 4). Residents of Manitoba, where intentions to approve up to five First Nation casinos have recently been announced, are the most strongly skeptical as to whether casinos will benefit First Nation communities with 44% strongly disagreeing.

As the proliferation of First Nations gambling is relatively new to Canada, public uncertainty with respect to its economic benefits is not surprising. Policymakers and First Nation leaders

throughout Canada have an additional advantage that the experience of tribal gambling in the United States can be drawn upon when drafting gambling policy. With First Nations and the Canadian population in general open to the idea of licensing gambling on reserves, provincial policymakers have an opportunity to develop legislation that incorporates the interests of First Nation communities.

FIGURE 3: DO YOU AGREE THAT: "on the whole, allowing Aboriginal groups to run on-reserve casinos and other gambling would benefit Aboriginal communities"



FIRST NATIONS GAMBLING IN CANADA: POLICY OVERVIEW

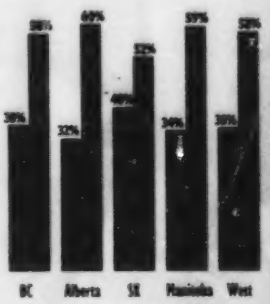
The experience of the tribal gambling industry in the US holds important lessons for Canada. However, it is important to stress that Canadian gambling policy is very different in nature. Due to the size and characteristics of the market for on-reserve gambling, combined with the unique features that regulate gambling in Canada, it can not be assumed that First Nations gambling will proliferate in Canada in the same manner as it has throughout the United States.

First Nation gambling policy will need to incorporate the role of First Nation, provincial and federal governments in the policy process. Individual First Nation communities throughout Canada have unique characteristics such as a young demographic structure, located in rural areas away from population centers where many gambling patrons originate, and have low levels of infrastructure. These elements make the formation of separate First Nations Gambling Policies a priority for some provincial governments.

UNITED STATES TRIBAL GAMBLING

The policy framework that regulates tribal gambling in the United States is vastly different from that in Canada. While gambling in Canada is regulated individually by the provincial governments, in the United States there exists a national framework to regulate and administer tribal gambling. Unlike Canadian provinces, American states cannot hold a monopoly on operating certain forms of gambling. If a tribe is located in a state that permits gambling, it is entitled to authorize its own gambling activities.

FIGURE 4: DO YOU AGREE THAT: "on the whole, allowing Aboriginal groups to run on-reserve casinos and other gambling would benefit Aboriginal communities"



The main expansion of Indian gambling throughout the US began in the late 1980s as a response to the US Supreme Court's decision in the State of California v. Cabazon Band of Mission Indians that concluded that Indian tribes had the right to conduct gambling activities on reservations without the need to act within state or county gambling laws (New York, 2000). It was determined that states could only intervene in on-reserve tribal gambling if the criminal law in that state prohibited the activity. The Supreme Court further decided that California's level of gambling was sufficient to rule out the possibility of Indian games being contrary to public policy and clearly was not a violation of state criminal law (New York, 2000).

In response to concerns that areas of unregulated tribal gambling throughout the US would develop, the US Congress created and ratified the Indian Gambling Regulatory Act (IGRA) to provide a regulatory framework for Indian gambling throughout the US (National, 1999). Since the enactment of the IGRA, Indian gambling in the US has undergone rapid expansion, establishing itself as one of the fastest growing segments of the US gambling industry (Kelly, 1997). Tribal casinos have resulted in the employment of many American Indian workers. In a study of 214 tribes that operate casino and bingo gambling activities in the US, it was found that overall unemployment levels have dropped from 38% in 1989 to 25% in 1995. Most of this decline has been attributed to the expansion of tribal gambling. (Donnely, 2000) In addition to providing direct employment opportunities, many tribal nations have used proceeds from gambling to develop alternative businesses, improve infrastructure, and establish education and social programs within their communities. Per capita remittances from tribal gambling in some cases are as large as $500,000 annually for each band member (America, 2000; McDonald, 1994).

Concerns about the industry's expansion do exist. Not every American Indian Band has welcomed gambling as a potential source of revenue. The Navajo Indian Nation twice in the past decade voted by referenda against allowing gambling casinos on their tribal lands. Some tribal nations have raised concerns about the possible erosion of their traditional values, and others have found that tribal casinos have not provided as much economic prosperity as envisioned.

In response to the success of Indian gambling throughout the US, many states are beginning to try to receive some of the benefits. When tribal-state gambling compacts are up for re-negotiation, it is becoming more common for the state to require some sort of revenue-sharing arrangement to reach an agreement. Although this is technically not permitted within the IGRA, many tribes have felt that they have no choice but to negotiate as their profits from gambling operations are worth the cost to keep their establishments up and running. It is also becoming more prevalent for states to introduce legislation that would legalize casino gambling overall (National, 2000). This has come in response to concerns raised by many non-Indian casino operators that Indian-run casinos have an unfair advantage, as they are often subject to less regulations.

"Anyone who wants a job, they can have two of them, maybe 2 1/2."

Hayward Bell, tribal councilman, Choctaw Nation. Responding to effects of casino revenues for on-reserve economic development. (Useem, 2000)

CANADIAN GAMBLING POLICY

In Canada, the federal government has traditionally regulated gambling within the Criminal Code of Canada. In response to successful provincial lobbying efforts, the federal government amended the Criminal Code in 1985 to allow the provincial governments to be the sole legal providers and regulators of gambling in Canada. In exchange for this amendment it was agreed that the provinces would contribute $100 million towards the 1988 Calgary Winter Olympic Games, as well as make annual contributions to the federal treasury (Campbell, 2000). The main implication of this agreement is that all gambling activities now conducted in Canada are subject to approval by the provinces. Any First Nation that wishes to establish gambling on-reserve must first receive provincial approval.

The changes to the Criminal Code may represent a missed opportunity for the First Nations. When the criminal code was amended in 1985, it may have been an opportune time for the First Nations to try to persuade the federal government to include provisions for on-reserve gambling. At a minimum it would have provided a good opportunity for First Nations to pursue the creation of a national First Nations gambling regulatory body.

Legislative Issues

Many First Nation leaders oppose the requirement that they seek provincial approval to conduct gambling on reserve lands. They claim that as a distinct and sovereign nation whose lands are not under provincial jurisdiction they have the right to conduct on-reserve gambling activities and should not be obliged to comply with provincial gaming regulations (Skea, 1997). The issue of First Nation sovereignty to conduct on-reserve gambling activities came before the Supreme Court of Canada in R. v. Pamajewon in 1996. In this case, the Shawanaga and Eagle Lake First Nations both unilaterally passed bylaws to allow for-profit gambling activities without seeking provincial approval. They were charged with keeping a common gaming house contrary to section 201(1) of the Criminal Code of Canada. The defendants declared that this section of the Criminal Code was not binding in reference to them as it violated the right of Aboriginal self-government protected within Section 35 of the Canadian Constitution. The Supreme Court ruled in favor of the provinces and found that while small stakes gambling may have been a defining feature of aboriginal culture prior to contact with Europeans, high stakes for-profit gambling activities certainly were not (Morse, 1997). This ruling effectively reaffirmed provincial authority as the sole legislative power to regulate gambling activities in Canada.

Foxwoods Resort and Casino Complex

One of the most successful tribal casinos is the Foxwoods Resort and Casino complex located in Mashantucket, Connecticut. Initially opened in 1992 by the Mashantucket Pequot Tribal Nation as a high stakes bingo and casino, the Foxwoods complex has expanded to become one of the largest resort casinos in the world. The complex attracts over 50,000 guests daily, with charters arriving from surrounding metropolitan areas, including Boston and New York City. The number of daily guests is more than twice the number of residents in the three host towns, which in 1990 census estimates numbered just under 24,000. With over 315,000 square feet of gambling space the complex houses 350 table games, 5,800 slot machines, a 3,200-seat bingo complex and a Keno lounge. In addition to gambling facilities, Foxwoods offers various food and beverage outlets, a theater, 4,000 seat arena, night club, arcade, hotel complex, concert hall, spa and a retail mall. Past events at the Foxwoods Resort and Casino Complex include performances by Luciano Pavarotti and Frank Sinatra. Foxwoods currently employs over 11,000 people.

Revenues from the Foxwoods Resort and Casino have allowed the tribal nation to buy back land for their reserve. The tribal nation, whose on-reserve population at one point in the 1970s consisted solely of two elderly women, can now provide a stable source of employment and income for the tribe's current residents, many of whom had left the reservation in search of better opportunities. Foxwood Casino contributions from slot machine revenues to the State of Connecticut have exceeded $1 billion dollars since 1993.

"It's awesome - totally awesome - what impressed me the most was the economic development and the self esteem put back into the people. Now, they're bringing the tribe back together."

Len Tomah, Chief of the Woodstock First Nation in New Brunswick, responding after a visit to Foxwoods Resort and Casino. (McDonald, 1994)

While the Supreme Court ruling has appeared to eliminate the option of allowing First Nations to conduct on-reserve gambling activities independent of provincial regulation, there have been discussions about bringing the issue forth before the courts again. The Province of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) have held discussions about working together to persuade the federal government to amend the Criminal Code to grant First Nations greater autonomy in regulating gambling on their reserves. At the first annual First Nation Gaming Conference and Trade Show hosted in August 2000 by the FSIN, a motion to support the creation of a National First Nation Gaming Association independent of provincial control was passed (Sack, 2000). Further discussions are to be held at the 2001 meeting of the Assembly of First Nations.

It is unclear if any unilateral attempt to create a First Nations Gaming Association will be successful. In order for this to happen the Criminal Code would have to be amended with the approval of Parliament. This would also require negotiations to take place with the provinces as they currently have jurisdiction over the activity. Instead of pursuing this option, most First Nations groups have been cooperating with provincial authorities in order to reach individual agreements.

Problem Gambling

In addition to regulation, provinces are responsible for administering programs to treat problem gambling[1]. Concerns have been raised that the expansion of on-reserve casinos will lead to higher levels of problem gambling among the First Nations, problems that may outweigh any economic benefits. Increased accessibility to gambling as well as historically high levels of substance abuse and addiction have been cited as factors that may put First Nations at a higher than average risk for problem gambling. Another cause for concern is that many First Nation communities often exhibit characteristics that are commonly thought to be associated with problem gambling, such as low socio-economic status and education levels.

Studies appear to support concerns that the First Nations face an above average risk for developing gambling problems. A gambling prevalence study released by the Nechi Institute in 1999 found that the level of problem gambling among aboriginal adults in Alberta is significantly higher than for the Alberta population as a whole (Auger, 1999). Recent findings

1 The term 'Problem Gambling' refers to both probable pathological and problem gamblers as defined by the South Oaks Gambling Screen (SOGS).

Internet Gambling: Kahnawake Gaming Commission

In June 1996, the Mohawk Council of Kahnawake established the Kahnawake Gaming Commission to approve Internet gambling activities. The Commission has been providing gaming licenses for firms to use their Internet servers to host online casinos. The Kahnawake First Nation claims that they are offering their clients the legal protection of a sovereign nation. While the Kahnawake Nation are not themselves conducting gambling activities, under the Criminal Code they do not have the authority to license such activities without provincial approval.

The issue of Internet gambling and online betting is a controversial policy area. While in North America Internet gambling is prohibited, it is relatively hard to regulate. There is concern that even if Internet gambling continues to be prohibited in Canada, there is no realistic way to stop Canadians from placing bets on offshore gambling sites. Some people, including Liberal MP Denis Mills, have lobbied for legalizing Internet gambling in order to stop revenues from being lost to Internet gambling sites located offshore.

"To me this is just another step for our people to become economically self sufficient and another step towards self-government."

Ron Morin, Chief of the Enoch Cree First Nation (Summerfield, 2001).

from the US have also confirmed this, with studies showing that on average American Indians have a three to seven times greater prevalence rate of problem gambling (Moore, 2000; Volberg, 1999). Surveys of problem gambling treatment centers in New Zealand have led to similar conclusions. The Maori of New Zealand have been found to have above average incidence of problem gambling, and are over-represented in New Zealand problem gambling treatment programs (Gruys, 1998).

However, studies that conclude Aboriginal Peoples tend to have above average levels of problem gambling have been criticized for failing to disentangle race and ethnicity from issues of poverty and low socio-demographic status. It has been pointed out that these factors may indeed be a large reason why many American Indians and other indigenous peoples have a tendency to display higher than average levels of problem gambling (Volberg, 1999). Risk factors such as low income, low education, high rates of unemployment and substance abuse have been associated as being precursors to gambling addiction (Moore, 2000). If these factors do make people more predisposed to becoming problem gamblers, First Nations communities in Canada likely will be at greater risk, as many of their communities experience high rates of substance abuse and have lower than average levels of income and education.

CURRENT FIRST NATION GAMBLING POLICIES IN CANADA (see Table on page 8-9)

As gambling in Canada is regulated at the provincial level, there exist as many policy approaches to First Nations gambling as there are provinces. Policies that address on-reserve gambling have been developed or are undergoing development in most provinces. Some provinces have drafted separate agreements that allow First Nations the ability to conduct on-reserve gambling activities. Others have chosen not to legislate any First Nation gambling policies, instead making First Nation groups subject to existing regulations that apply to all people.

In general, most provinces have signed agreements or formed separate gambling policies with First Nation groups in their province. Those that have not, such as Prince Edward Island and Newfoundland and Labrador, do not have many First Nation reserves within their province. Exceptions are Quebec[2] and British Columbia, where First Nations are subject to existing regulations that apply to all residents.

First Nation Development Funds that allocate a portion of on-reserve gambling revenues towards First Nation social programs and economic development initiatives have also been established in many provinces. All of the provinces that have created First Nation

2 One First Nation in Quebec has signed an agreement with the province that permits it to license on-reserve bingo events; however, there are no plans to pursue additional agreements.

Development Funds have, or are in the process of allowing, a limited number of on-reserve casinos. First Nation Development Funds in most cases act as a mechanism to redistribute revenues from reserves that operate large scale and highly profitable forms of on-reserve gambling, such as destination casinos, to reserves that have not received approval to do so. Creation of these funds should help to reduce any future economic inequalities among First Nation communities in a province that may result from the expansion of on-reserve casinos.

Programs that treat gambling addiction are available throughout Canada. In each province, aboriginal people are able to access problem gambling treatment programs that are offered through established provincial addiction programs. However, even with the establishment and existence of treatment programs for gambling addiction, aboriginal participation rates may be low. For many American Indians, generalized problem gambling treatment programs have been found to be relatively ineffective, having lower than expected utilization rates (Moore, 2000). Recognizing this, Manitoba has recently proposed to use 2.5% of revenues generated from future First Nation casinos to create and fund an Aboriginal addiction program. The Poundmaker's Lodge in Alberta also offers services for Aboriginal problem gamblers, with a cultural focus towards treatment.

***Studies show that pathological gamblers are more likely to be former drinkers. Findings suggest that one addiction is being replaced by another** (Auger, 1999).*

AREAS OF GAMBLING POLICY IN CANADA

Distinction should be made between policies that deal with on-reserve charitable gambling, VLTs and casinos. For most forms of charitable gambling, such as bingo, raffles, and pull-tickets, First Nations in every province are active participants, either through a separate gambling agreement or within existing provincial legislation. While policies for the most part mirror those available to all Canadians, there are some individual agreements between First Nations and provinces authorizing particular on-reserve charitable gambling events. Similarly, in provinces offering VLTs, a number of First Nation groups have licenses to operate a limited number of on-reserve VLTs. In this case, provincial regulations with regards to VLT placement and location generally apply to their communities.

Casino policy is a relatively new and emerging area of on-reserve gambling in Canada and remains highly regulated by the provinces. On-reserve casino developments pose additional challenges, because casinos must focus on attracting patrons from outside the host community. By attracting patrons from adjacent regions, casinos can end up competing with each other for clientele. For this reason, casino policies may want to address regional development issues.

***The SOGS measure for identifying problem gamblers has been found to generate a significant number of false positives** (Abbott and Volberg, 1999). **Due to unique cultural characteristics, traditional measures of identifying problem gamblers, such as the SOGS, may lead to different result among ethnic groups** (Gerstein, 1999).*

First Nations and Charitable Gambling (see Table on page 10)

Charitable gambling is defined as charity-run games such as bingo, pull tickets, and raffles where all proceeds after winnings are retained by charities. With the exception of charity casinos, First Nations throughout Canada are active participants in most minor forms of charitable gambling. First Nations in some provinces have been given the authority to issue licenses for charitable gambling on their reserve, provided that they have signed a gambling agreement with the province and meet existing provincial regulations.

On-reserve charitable gambling has attracted relatively little public concern as events are for the most part individual and small in nature. Revenues are distributed among the local First Nation community for charitable, economic and social development purposes. As most patrons originate from within the local community, charitable gambling is considered to be mainly a community, rather than a regional, issue.

First Nations GAMBLING Policy in Canada

	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
POLICY OVERVIEW AND RECENT LEGISLATION	• Opportunities for First Nations to enter the industry are identical to those available to all residents of British Columbia. • July 4th, 2000, the first reading of Bill 30 was passed. Approval will have to be sought prior to locating gaming facilities where a First Nation has authority over land use.	• New First Nations gambling policy was approved on Jan. 19, 2001. First Nations will be able to be designated as the recipient charity for revenues from future on-reserve casinos.	• In 1995, the province and the Federation of Sask. Indian Nations (FSIN) agreed to jointly manage the casino industry. The Sask. Indian Gaming Authority (SIGA) was created to allow the FSIN to develop and operate casinos in Sask. • Fall 2000, report of the provincial Auditor was released. Audit found that the SIGA had displayed improper stewardship of casino revenues.	• 1990: established the first, First Nation Gaming Commission in Canada. • First Nations can participate by establishing a First Nation Gaming Commission or applying for a gaming license from the Manitoba Gaming Control Commission (MGCC). • First Nations who have formed a Gaming Commission must still comply with provincial gaming regulations.	• Ontario First Nations initially entered into discussions with the province to try to form their own gaming commission. In 1993, it was determined that there would be one provincial gaming commission for all gambling activities conducted in Ontario. • All gambling activities are regulated by the province to ensure that the market does not become saturated.
PROVINCIAL GAMBLING - RELATED FIRST NATION DEVELOPMENT FUNDS	• N/A	• A First Nations Development Fund is to be created to support economic, social and community development initiatives for all First Nation groups in Alberta. • Future revenues from slot machines at First Nation casinos will be allocated to this fund.	• 1994, a First Nations Trust Fund was created to disburse revenues earned through SIGA casinos. • Proceeds are to support social, economic, and other development programs for First Nations throughout Sask. • 25% of Casino Regina profits are allocated to the First Nations Trust Fund.	• Trust Fund is to be created to distribute a portion of revenues from future First Nation casinos. • First Nation communities that have not received approval to operate casinos will be eligible to receive some of these funds.	• A First Nations Development Fund has been created to distribute a portion of revenues from the Casino Rama to First Nations throughout Ontario. • Revenues are slated for community, economic, and cultural development, as well as providing health and educational services.
PROBLEM GAMBLING PROGRAMS	• No specific First Nations problem gambling program. • First Nations have access to provincial problem gambling programs.	• First Nations have access to provincial problem gambling programs. • Poundmaker's Lodge provides treatment for Aboriginal and First Nation problem gamblers. • Additional funding for problem gambling programs likely will be made available within the First Nations Development Fund.	• Saskatchewan Health and SIGA developed a problem gambling training program for SIGA casino employees. • 1998/99: Saskatchewan Health with the FSIN provided 60 hours of problem gambling clinical training for 52 Aboriginal alcohol and drug abuse workers.	• Aboriginal and First Nation problem gambling program will be established with funds from future casino expansion. • First Nations have access to provincial problem gambling programs.	• No specific First Nations problem gambling program. • First Nations can access existing provincial programs. • The greater of $10 million or 2% of slot machine revenues are allocated annually towards treating problem gambling throughout the province.
FUTURE ISSUES	• Moratorium on large scale gambling, casinos and slot machines is in place. • Expectations are that Bill 30, will be presented for approval in the spring/summer parliamentary session. • Uncertainty exists over future policy direction due to recent elections.	• A licensing policy review and terms and conditions that surround future First Nation casinos industry are being developed. • Board consisting of First Nation representatives will be established to administer the First Nations Development Fund.	• A moratorium on all forms of gambling expansion is in place. Enacted in response to a audit (Fall 2000) that revealed management problems at the SIGA. • File Hills Indian Band has expressed interest in licensing on-line casino gambling.	• Market research is being conducted to determine the scope for the future expansion of First Nation commercial and casino gambling.	• A moratorium on casino expansion is in place.

QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD ISLAND	NEWFOUNDLAND	
• Opportunities for First Nations to enter the industry are identical to those available to all residents of Quebec.	• Opportunities for First Nations to enter the industry are identical to those available to all residents of NB. • Gaming agreements can be signed that allow First Nations to issue licenses for on-reserve charitable gambling. • Bill 46 was ratified to remove a section of the Lottery Act that allocated a portion of VLT revenues to an environmental trust fund and allow VLT revenue-sharing among First Nation communities.	• Gambling agreements have been signed with 10 of the province's 13 First Nations groups. Agreements allow First Nations to receive a portion of revenues from the Sydney Casino and license on-reserve charitable gambling and VLTs. Revenues are retained within the local First Nation community for economic and community development activities.	• There are two First Nations groups in PEI; neither have any gaming facilities or agreements with the province. • It has been over five years since any interest was expressed by the First Nations to enter the gambling industry.	• No separate First Nations gaming policy. • Primary reason is that the province has only established one First Nation reserve, and currently is in the process of land claim negotiations with other aboriginal groups.	**POLICY OVERVIEW AND RECENT LEGISLATION**
• N/A	• N/A	• N/A	• N/A	• N/A	**PROVINCIAL GAMBLING - RELATED FIRST NATION DEVELOPMENT FUNDS**
• No specific First Nations problem gambling program.	• No specific First Nations problem gambling program.	• No specific First Nations problem gambling program. • Portion of revenues from the Sydney Casino are allocated towards provincial problem gambling programs. • First Nation groups can apply to access these funds for program development.	• No specific First Nations problem gambling program.	• No specific First Nations problem gambling program.	**PROBLEM GAMBLING PROGRAMS**
• The Ministry of Public Security has been looking into the Khanawake Gaming Commission's interest in providing internet gambling licenses.	• It was decided that any review of gambling policies would not happen until after the recent VLT referendum conducted on May 15, 2001. • The results of the recent referendum were to continue to permit the operation of VLTs in the province.	• Most First Nation Gambling Agreements will be up for re-negotiation in 2002. • Existing gambling agreements are being reviewed in anticipation of this. • Any modifications will focus on increasing accountability and transparency of on-reserve gambling revenues.	• There are no plans for future discussions regarding First Nations gambling.	• The province has no plans to develop new legislation with regards to First Nations gambling. • Expectations are that discussions regarding a separate First Nation gambling policy may begin to take place in the next few years.	**FUTURE ISSUES**

First Nations NON-CASINO Gambling Policy in Canada

	ON-RESERVE CHARITABLE GAMBLING (e.g., Bingo, Raffles, Pull-tickets)	ON-RESERVE VIDEO LOTTERY TERMINALS (VLTS)
BRITISH COLUMBIA	• *First Nations have been active participants in on-reserve charitable gambling activities.* • *Must comply with the existing provincial charitable gambling model.*	• *No on-reserve VLTs. Note: There are no VLTs in BC.*
ALBERTA	• *First Nations have been active participants in on-reserve charitable gambling activities.* • *Must comply with the existing provincial charitable gambling model.*	• *First Nation reserves do not have any on-reserve VLTs.* • *First Nations can receive approval to operate VLTs, but they must be located in a licensed establishment. All First Nation reserves in Alberta are "dry" and do not have any licensed establishments to place VLTs.*
SASKATCHEWAN	• *Plans were to create a separate First Nation authority to regulate and approve on- reserve charitable gambling. To date these plans have not been realized. First Nations that participate in charitable gambling must comply with the existing provincial charitable gambling regulations.*	• *There are no separate agreements for on-reserve VLTs.* • *As the FSIN would likely choose to place all allocated VLTs in their casinos, the First Nations currently are not pursuing an agreement.*
MANITOBA	• *First Nations have been active participants in on-reserve charitable gambling activities such as bingo, pull-tickets and raffles.* • *If a First Nation has a gambling agreement with the province they are able to license on reserve charitable gambling events provided that they are in compliance with provincial regulations.*	• *18th of June 1999, a 4-year VLT moratorium was lifted.* • *First Nations can have up to 40 on-reserve VLTs.* • *The host First Nation receives 90% of on-reserve VLT revenues, without spending restrictions.* • *VLTs in Manitoba must be placed in a licensed establishment. For 'dry' reserves where there are no licensed areas, VLTs can be placed in an adult-only venue.*
ONTARIO	• *First Nations can license their own charities to receive funds from charitable gambling activities. Licenses can be obtained from a band council officer who negotiates an agreement with the province. Must comply with the existing provincial charitable gambling regulations.*	• *No on-reserve VLTs. Note: There are no VLTs in Ontario.*
QUEBEC	• *First Nations must comply with the existing provincial charitable gaming model.* • *No separate charitable gambling policy. One First Nation group has an agreement with the province that allows them to license on-reserve charitable gambling.*	• *First Nations are able to have on-reserve VLTs so long as they comply with provincial regulations.* • *No separate provisions for on-reserve VLTs.* • *First Nation receives siteholder portion of gross revenues (30%).*
NEW BRUNSWICK	• *All charitable gambling is regulated within the New Brunswick Lottery Act.* • *First Nations are able to license these activities if they have signed a gaming agreement with the province otherwise they must seek approval for each event. They must comply with provincial charitable gambling regulations.*	• *On reserve VLT revenues are divided among a private operator, site-holder, and the province. The host First Nation receives the siteholder's portion of VLT revenues plus 95% of the provincial revenue share provided that they have a gambling agreement with the province.*
NOVA SCOTIA	• *First Nations participate in on-reserve charitable gambling activities such as bingo, pull-tickets, ticket lotteries, and raffles. They must comply with provincial charitable gambling regulations.* • *First Nations with a provincial gambling agreement are entitled to conduct 3 giant bingo events annually with prizes in excess of $15,000 per event.*	• *First Nations with provincial gambling agreements can have on-reserve VLTs.* • *VLT location is up to the First Nation Chief and Band Council; however, there exists an 8 VLT limit per room and a 20 VLT limit per location.* • *Number of total VLTs permitted on a reserve depends on the First Nation population.*
PRINCE EDWARD ISLAND	• *There exist no special provisions for First Nations charitable gambling.*	• *First Nations do not have VLTs.*
NEWFOUNDLAND	• *First Nations within the province are involved in charitable gambling such as bingo and ticket raffles.* • *There exist no special provision for First Nations charitable gambling.* • *Must comply with existing provincial regulations.* • *Future agreements may be reached, as land claim negotiations are currently under way throughout the province.*	• *First Nations do not have VLTs.*

First Nations and Video Lottery Terminals (VLTs) (see Table on page 10)

In most provinces with licensed VLTs, First Nations have a limited number of on-reserve VLTs. In most cases VLTs on First Nation reserves are subjected to existing provincial regulations with regards to placement and location. If VLTs must be located in a licensed establishment, which is the case in Alberta and Manitoba, this can be an obstacle for First Nation communities. Some First Nation Band Councils have ratified a "dry reserve" policy that eliminates alcohol on-reserve and therefore do not have any licensed establishments. To work around this in Manitoba, the provincial government permits VLTs on-reserve so long as they are located in adult-only establishments. In Alberta, where every First Nation reserve in the province is "dry," no such exception exists and as a result, even though Alberta First Nations are eligible to operate on-reserve VLTs, they currently do not have any.

VLTs have been at the forefront of problem gambling debates in recent years. Policy debates have focused on the social costs that VLTs can bring through increased gambling addiction. Studies have found that VLTs are one of the most addictive forms of gambling because of their speed and ease of play. Levels of problem gambling associated with VLT use have been found in some cases to exceed the average by 5 times (Doiron, 1999). As a consequence, there is a concern that the introduction of VLTs on First Nation reserves may lead to an increase in levels of problem gambling within their communities.

An additional concern is that on-reserve VLTs may have the net effect of lowering total revenue within a First Nation community. As most reserves are closed communities that do not attract many visitors from outside locations, the main patrons for VLTs will be members of the local First Nation. If the province receives a share of profits from on-reserve VLTs, the net effect may be that revenues are taken out of the First Nation community and given to the province.

First Nations and Casinos (see Table on page 12)

The development of on-reserve casinos has emerged as the central policy debate surrounding the expansion of First Nations gambling in Canada. It is important to stress that casinos on First Nation reserves in Canada have become a reality. While there currently are not many casinos on reserves, this will likely change as many provinces have begun to establish regulations and develop a policy framework for on-reserve casinos. Given that many First Nations have, or are in the process of receiving approval to operate casinos within their communities, key policy debates focus on maximizing economic benefits while minimizing social cost.

Among provinces throughout Canada there exists great variation in how First Nation casinos are operated and their revenues are distributed. Some permit a limited number of First Nation casino operations, while others such as Nova Scotia allow First Nations to receive a percentage share of revenues from established government casinos. Variations among provincial First Nation casino policies are not surprising as the number and size of First Nations communities differ throughout the regions. Provinces that have large numbers of First Nations have, in general, been the most proactive in allowing on-reserve casinos. Geographic and demographic characteristics also play a factor in provincial casino policy. While First Nations in the Western provinces already have, or plan to develop on-reserve casinos, none of the First Nations in Atlantic Canada have received approval to do so.

First Nations CASINO Gambling Policy in Canada

	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
EXISTING AND APPROVED CASINO PROPOSALS	• 1997 call for destination casino proposals gave four First Nation submissions draft approval. • Locations are on reserves near Penticton, Merrit, Campbell River and Cranbrook. • Only the 'Casino of the Rockies' on the St. Mary's reserve outside of Cranbrook has received approval.	• Currently no First Nation casinos. • Tsuu T'ina First Nation has developed a $700 million dollar casino/entertainment project proposal. • Proposals are being developed by the Enoch Cree, Alexis, and Cold Lake First Nations. • First Nation casino proposals are pending until a licensing policy review is complete.	• Four First Nation casinos: Prince Albert, Yorkton, North Battleford, and Carlyle. • Annual revenues exceed $65 million dollars, attract over 1 million visitors, employ 1,000 people, 800 of which are of First Nation heritage. • Over 50% of employees at the Casino Regina are aboriginal.	• June 1, 2000 a selection process for the development of First Nation casinos was held. • 12 locations were submitted for review, five were selected as potential candidates. • Currently two locations are off-reserve; as all First Nation casinos must be located on-reserve, land will be converted to the host First Nations' reserve.	• Casino Rama, hosted by the Chippewas of Mnjikaning, is Canada's largest First Nation casino. • Mississaugaus of Scugog Island host the Great Blue Heron Charity Casino. • Golden Eagle Charity Casino in Kenora is owned and operated by the Wauzhushk Onigum Foundation.
CASINO OPERATIONS	• Casino operators must have proven experience and skills. • First Nations in BC have submitted their proposals with provisions for private contractors to operate their facilities as they have little experience in the industry. • Slot machines will be regulated by the B.C. Lottery Corporation.	• As First Nations in Alberta have little industry experience they must contract out casino operations to qualified companies. • After the First Nations have developed experience in the industry they may eventually be able to assume operational control of their facilities. • Slot machines will be regulated by the Alberta Gaming and Liquor Commission (AGLC).	• A casino operating agreement dated November 24, 1995, gave the SIGA responsibility for all operations and development of First Nation casinos. • SIGA is a not-for-profit corporation. • Slot machines in First Nation casinos are operated by the SIGA Fund.	• The Manitoba Lotteries Corporation or an independent casino management firm will manage the operations of First Nation casinos. • Slot machines will be regulated by the Manitoba Lottery Corporation.	• Casino Rama: Province owns the facility and business. Operations are managed by the Carnival Resort and Casino Corporation. • Great Blue Heron Casino: The Great Blue Heron Gaming Company, a subsidiary of Casinos Australia, is responsible for operations. • Mississauguas of Scugog Island formed the Baagwating Community Association to conduct and manage table game operations. Slot machines operated by OLGC. • Golden Eagle Charity Casino: No slot machines, only table games.
REVENUE DIVISIONS FOR FIRST NATION CASINOS	• Destination casinos: Host First Nation receives 1/6 of the profits, casino operator a 2% commission on slot machines and 40% on table games. • Community casinos: 10% of profits will go to the host First Nation. • No spending restrictions are in place for revenues.	• Table Games: 25-50% of profits goes to the Host First Nation or charity, remainder to the casino operator. • Slot machines: 15% of profits go to the host First Nation or charity, 15% to the operator, 30% to traditional Lottery Fund initiatives, and 40% to a First Nations Development Fund.	• SIGA is required to use all profits from table games towards charitable, community and religious objectives. • For slot machines, 37.5% of profits go to the Province, 37.5% to a First Nations Trust Fund and 25% to the Associated Entities Fund.	• 70% of net profits go directly to the host First Nation, 27.5% to a trust fund for reserves without a casino, and 2.5% to develop Aboriginal social programs.	Casino Rama: • Province receives 20% of net revenues, • 52% goes to a First Nations Fund and, • 28% go to the Chippewas of Mnjikaning to help keep the facility competitive. Great Blue Heron: • Missisauguas of Scugog receive 5% of slot machine revenues and in turn share 30% of these with the Scugog township.
FUTURE ISSUES	• Moratorium on casino expansion is in place. • Musqueam First Nation has expressed interest in developing a destination casino on reserve land near the Vancouver International Airport.	• Terms and conditions and a licensing policy review are to be completed before any casinos can be developed. • Provincial market assessment will be conducted to determine what areas in Alberta are able to support casino expansion.	• SIGA's current casino operating agreement has been extended to July 31st, 2001. • Legislation over future operations of First Nation casinos is under development.	• Market studies are to be conducted to determine the economic feasibility of additional First Nation casinos in the province. • Further expansion of the First Nation casino industry is pending future approval.	• Current moratorium on casino expansion in Ontario is in place. • Ontario First Nations have claimed that the province does not have the jurisdiction to receive a revenue share from Casino Rama operations.

Other Provinces:

QUEBEC: *There are no First Nation casinos in the Province. Interest has been expressed by some First Nations to operate casinos.*

NOVA SCOTIA: *There are no First Nation casinos in the Province. 50% of revenues from the Sydney Casino are divided among First Nations who have signed gaming agreements with the province.*

PRINCE EDWARD ISLAND: *There are no First Nation casinos in the Province.*

NEWFOUNDLAND: *There are no First Nation casinos in the Province.*

FACTORS TO CONSIDER WITH THE ESTABLISHMENT OF FIRST NATION CASINOS

Many potential challenges may arise with the establishment of additional on-reserve casinos. Some of these challenges, such as how to distribute casino revenues and address the potential for increased levels of problem gambling within the local community, will mainly affect the individual First Nation community. Other issues, such as market saturation, revenue transparency, and coordination with provincial gambling policy, may require a regional approach to policy development. Casino policy also may want to address whether the main goal of introducing of casinos on First Nation reserves is to develop individual reserves, or to develop First Nations throughout the province.

"It's [First Nation Casinos] going to create more dollars coming in to the communities, but at the same time I really don't think they looked at the social impact - what is going to happen to individuals in their own communities – and that's sad, that really is. These casinos that are supposed to give us economic security actually contribute to us falling back into the cracks of addiction."

Rene Tukanow, Native Addictions Counsellor, New Dawn Center in Fort Qu'appelle (CBC Online, 2001A).

EQUITY AMONG FIRST NATION GROUPS

Distribution of Wealth

Provinces that have entered the casino industry or are currently in the process of doing so tend to grant casino licenses based on the potential economic viability of a casino within a certain region. For on-reserve casinos, granting approval based on regional viability is an effective way to develop the market and at the same time prevent market saturation. However, if all casino revenues are to solely benefit the host First Nation, this could lead to an inequitable distribution of gaming revenues between First Nation communities that have received approval to operate a casino and those that have not. Economic polarization may also occur among First Nation communities that have casino developments. Evidence of this can be seen by looking at the tribal casino industry in the US. Of the approximately 200 Indian Bands in the US that operate casinos on reserve lands, 23 Indian Bands account for over 56% of total tribal gambling revenues (Baron 1998).

To prevent a situation where the expansion of gambling creates an inequitable distribution of wealth among First Nation communities, many provinces are developing or have developed casino revenue-sharing agreements. Within these agreements a certain percentage of revenues from First Nation casinos are allocated in trust to benefit First Nations across a province as a whole. Redistribution of casino revenues among First Nation communities that have not received approval to operate a casino, or that operate small casinos in marginal locations, are designed to reduce economic inequity between First Nation communities that could result from expansion of First Nation casinos. Whether the distribution of gambling revenues among the First Nations is a concern will depend on whether the goals of policy are to develop individual reserves, reserves as a whole, or a combination of both.

Problem Gambling within the Host Community

Along with casino expansion, there is a potential for increased levels of problem gambling within individual First Nation communities. While casinos will provide benefits from an overall increase in revenues for the host First Nation, some community members may incur costs from problem gambling. There is concern that increased exposure to, and accessibility of, casino gambling will lead to higher levels of problem gambling within the communities. To help lower the cost of problem gambling and decrease its incidence, a portion of on-reserve casino revenues can be used to establish problem gambling programs geared towards First Nations.

As previously mentioned, factors such as low income, low education and high rates of unemployment have been identified as precursors to gambling addiction (Moore, 2000). If a portion of revenues from on-reserve casinos are to be allocated towards programs that increase education, income and employment levels within the host First Nation community, the increased prevalence of problem gambling due to higher exposure to casinos may be mitigated.

USES OF REVENUES

Revenue Allocation

Most provincial gambling revenues in Canada are directed towards funding charitable and religious organizations, economic development, health and social programs. As the main goal of introducing casinos on First Nation reserves in Canada is often to promote economic and social development, many provinces have drafted gambling agreements with First Nations to include a section that legislates areas where gambling revenues are to be allocated. These areas often include social, cultural and economic development initiatives, as well as education and health programs. No province in Canada currently allows First Nations to grant per capita payments to band members from casino operations. However, BC has yet to put spending restrictions on the share of revenues that the host First Nation will receive. In a review of revenue allocation for on-reserve casinos in the US, it was found that in some cases tribes whose members received per capita payments achieved little long-term improvement (Anders, 1997).

Net Revenues - Indian Gaming Regulatory Act (IGRA)

Under the Indian Gaming Regulatory Act, net revenues from commercial tribal gaming operations in the US are not to be used for purposes other than:

1. Funding tribal government operations or programs,
2. Providing for the general welfare of the Indian tribe and its members,
3. Promoting tribal economic development,
4. Donations to charitable organizations, and
5. Funding operations of local government agencies.

Only after gambling revenues are allocated towards these purposes can an Indian tribe be licensed to make per capita payments to its members. This requirement in the IGRA ensures that funding for social initiatives such as addiction programs for gambling is made available.

Revenue Transparency and Accountability

The issue of accountability for revenues from First Nation casinos has begun to receive increasing attention. A report by the Provincial Auditor of Saskatchewan, released in November 2000, found that the Saskatchewan Indian Gaming Authority (SIGA), which manages four First Nation casinos in the province, did not have enough financial controls to ensure that casino revenues were being allocated in a proper manner. The Provincial Auditor estimated that the SIGA had directly misallocated over $1.7 million dollars in casino revenues (Liquor, 2000).

The experience of the SIGA may have made many provinces cautious with regards to granting First Nations operational control over their casinos. The concern is that revenue from First Nation casinos may end up providing benefits to individuals at the expense of community members as a whole. Individual members within First Nation communities have also called for greater transparency over how funds are spent within their communities (Walker, 2001). With the recent proposal for First Nation casinos in Manitoba, it has been suggested that community boards should be created to help ensure that casino revenues benefit all members within the local First Nation community (CBC Online, 2001D). It should also be pointed out that the issue of revenue transparency and accountability is not isolated to First Nation casinos, but applies to gambling generally in Canada.

SIGA Audit

On November 15, 2000, Saskatchewan's acting Provincial Auditor released a report conducted on the Saskatchewan Liquor and Gambling Authority (SLGA) and the Saskatchewan Indian Gambling Authority (SIGA). The Provincial Auditor concluded that the SIGA Board of Directors had "failed to properly govern SIGA and to be proper stewards of public money." He further found that SIGA displayed improper use of debit and credit cards, had no supporting documents available for many payments, claimed unauthorized salary advances for its board members, accrued unreasonable travel and accommodation expenses and had approved contracts that were in excess of fair market value (Legislative, 2000).

The most prevalent example of an abuse of public funds cited in the report was the use of SIGA's debit and credit cards by their Chief Executive Officer for personal expenses estimated at $360,000. In addition, the audit discovered that SIGA's Board of Directors had approved a motion awarding the CEO a retroactive salary increase of $50,000 per annum. It was thought that the intent of this salary increase was to repay personal expenses. The audit report also criticized the SLGA for failing to develop policies that better defined what expenses SIGA could reasonably concur and deduct from slot machines and other gambling operations.

The ramifications of SIGA's mismanagement of public funds resulted in the dismissal of the CEO and cancellation of debit and credit cards issued to executive staff, as well as rescinding the board resolution for an increase in CEO salary and extension of term. SIGA's board was restructured and required to include four representatives from the Federation of Saskatchewan Indian First Nations as well as three representatives from the SLGA. A two-year time frame has been set to recover public money that was misdirected by the actions of SIGA through deducting revenue from the Saskatchewan First Nations Fund. The amount to be recovered is estimated at $1,085,000.

First Nation Sovereignty

Provincial efforts to oversee the allocation of revenues from First Nation casinos may want to take into consideration the desires of First Nations to have increased political and economic sovereignty over their communities. It is important that First Nation peoples are able to have the independence to decide how they would like their gambling revenues to be allocated. Some First Nation leaders may see provincial involvement in developing a system to distribute revenues from gambling as a barrier towards their goal of achieving self-government. However, many First Nation people do recognize that in order to establish good governance, a binding and transparent system of distributing monies must first be established. Many also feel that concerns about accountability are not destructive towards the First Nations aspiration of achieving self government, but are a prerequisite (Walker, 2001).

Provinces have been developing legislation that attempts to recognize both concerns over transparency of casino revenues and First Nation sovereignty. Alberta has proposed to develop a Fund that will distribute slot machine profits from future First Nation casinos to First Nation communities throughout the province. The Province, in cooperation with First Nations, will develop a charter for the Fund to help ensure that revenues are allocated towards stated objectives. First Nation representatives throughout Alberta will have the ultimate decision as to where revenues are to go, so long as the activities that they fund are within the Fund's mandate.

MARKET FOR CASINO GAMBLING

Target Patrons

" I can speak from personal family experiences that people make trips to Prince Albert – stay for two or three days – and it's really just because of the Casino."

Perry Trusty, Economic Development Coordinator for Prince Albert. (CBC Online, 2001B).

If on-reserve gambling is to be pursued as a development strategy for First Nations communities, it is important for patrons to originate from locations outside the host First Nation community. Much of the reason for the success of gambling venues and casinos located in Windsor and Niagara Falls has been associated with the large numbers of Canadian and American patrons they attract and revenues these patrons bring into the casinos (Campbell, 1998).

The experience of tribal gambling in the US has shown that the most successful tribal casinos are located in close proximity to large urban centers (Baron, 1998). In the case of Foxwoods, the most profitable tribal casino, New York City, Boston, Springfield, Hartford and Providence all are located within 2 1/2 hours driving distance of the casino. Gambling establishments and casinos in isolated locations have been found to receive a higher percentage of revenue from patrons who are residents of the local community (Carmichael, 1998).

The ability to attract off-reserve patrons does not apply uniformly to all First Nation groups. Development strategies for destination casinos may want to consider who the main patrons of on-reserve casinos will be. Many First Nation communities situated in rural or remote regions may have difficulty attracting clientele from outside of their community. To attract outside visitors, casino development strategies may want to focus upon either creating a venue to attract tourists or locating casinos near urban centers. In the case of remote First Nation communities, destination casinos that focus on attracting tourists, as opposed to smaller community-style casinos, may be the most desirable.

Regional Competition and Market Saturation

"When Canada opened up things a little, things changed drastically. Now they've got 3 million people up there in Vancouver that can stay at home and gamble. It has been a huge emotional and financial strain to the tribe."

Darrel Hilliare, Vice Chairman of the Lummi Tribe (Reponse to the effect of higher competition between Washington and BC).

With gambling in Canada expanding to allow more on-reserve destination style casinos, provinces and First Nation groups will want to avoid creating too much competition in the market. Many tribal casinos in the US generate very high levels of profit in the short run primarily because they are the sole provider of casino gambling in a region (Baron, 1998). With the introduction of more tribal casinos, this competitive advantage can be eliminated. In states such as California and Washington where many tribes operate casinos, gambling revenues for tribes have begun to decline as the market has become more saturated. Some states have also found that if they do not permit tribal and state casinos, their residents will gamble out of state. In a study of gambling in Wisconsin, it was noted that policymakers and Indian tribes could not completely reject state and tribal casinos and expect to decrease their residents' exposure to casinos as they can easily travel to nearby states to gamble (Thompson, 1995).

With an expansion of on-reserve destination casinos, provincial governments and First Nations may eventually be faced with the same dilemma. Saturation does not pose as great a concern in Canada as in the US because the provinces regulate entry into the gambling market. However, competition between provinces, especially in regions that are near provincial boundaries, should be taken into consideration.

A good example of the problems that cross-border and regional competition for gambling patrons may create can be seen by examining the development of the British Columbia and Washington State casino industries. In the mid-1990s, BC began to expand its gambling activities in an attempt to encourage residents who frequented border casinos in Washington to gamble at home. Slot machines were approved in casinos, wager limits increased and hours extended to make BC casinos more attractive to residents. The effect of these policy changes was felt very rapidly in Washington, particularly by the many tribal nations that operate border casinos. The Lummi Tribe, who opened the Northwest's first casino in 1984, was soon forced to close operations. The tribe cited increased competition from BC casinos as the main factor

for going out of business. It was estimated that before BC changed regulations to its casino industry, 80% of the patrons at the Lummi Tribal Casino were Canadians. The casino employed over half of the tribal labor force. After the casino closed operations, the tribe's unemployment rate went from 7.1% to 60% (Philips, 1997).

With First Nations and provinces, primarily in western Canada, expanding their gambling industry to allow destination-style casinos, market saturation may increasingly become a problem. Signs that First Nation casinos may in the future compete to attract the same patrons from other regions have already begun to emerge. In Alberta, the Cold Lake First Nation is contemplating submitting a proposal to operate a casino that will be located on the Saskatchewan border. This may attract many people from Saskatchewan as well as lower the number of Albertans who frequent Saskatchewan's First Nation casinos.

"The more employment we can give, the more money we can put towards infrastructure. Then we wouldn't have to go to the government as much as we have in the past for other activities."

Jim Bear, Political Advisor with the Southeast Assembly of First Nations, speaking with respect to Manitoba's Brokenhead Casino (CBC Online, 2001C)

Coordination with Provincial Charitable Gambling

The introduction and approval of First Nation casinos may be at odds with a province's current policy goals. The mandate of many provincial lottery corporations is to contribute significantly to government revenues (BC Lottery Corp, 2000). The approval of First Nation casinos and the creation of gambling agreements that allow First Nation groups to receive the bulk share of their on-reserve gambling revenues may come in conflict with this mandate. If both First Nation and provincial casinos compete to attract the same patrons to their venues, provincial revenues from gambling may be reduced.

It should be acknowledged that provincial governments themselves do have an incentive to see First Nation gambling ventures succeed. While First Nation members who live on-reserve are the fiscal responsibility of the federal government, provincial governments spend large sums of money on community infrastructure and on the health, education and welfare of Aboriginal peoples who have left the reserve in search for employment (Skea, 1997). If the introduction of on-reserve gambling facilities and casinos can provide a source of employment and inject revenues into the host First Nation community, these expenditures may decline.

Maori Gambling in New Zealand

The experience of Maori gambling in New Zealand in many ways parallels that of Canada. Over recent years the Maori, much like the First Nations throughout Canada, have begun to express interest in opening casinos as a means to achieve "economic sovereignty." In New Zealand, much like Canada, there exist no specific national legislative or regulatory provisions that relate to Maori involvement in gambling. Any applications submitted by the Maori to operate casinos are considered equally with all other applications received. Maori peoples, as the First Nations in Canada, are actively involved in minor forms of gambling such as bingo.

New Zealand currently has a "Gaming Review" underway. A moratorium on further casino expansion is in place until 2003. Six licenses to operate casinos have been granted in New Zealand, one of which shares a portion of revenues with the Maori. A portion of revenues generated by New Zealand's national lottery is also slated for Maori community purposes (NZ $6 million in the last financial year).

There are plans to consider the future role of the Maori people in the gambling industry. The Treaty of Waitangi, which was signed in 1840 by representatives of the British Crown and Maori chiefs, is to be reviewed to see whether there exist any clauses that relate to Maori involvement in gambling.

POLICY RECOMMENDATIONS

Should provincial governments and First Nation groups choose to implement First Nation casinos on reserves, the following options are recommended:

1. Policies should be developed in coordination with First Nation communities.

Provincial policy towards on-reserve casinos should be developed in cooperation with the First Nations. First Nation communities frequently have voiced desires to take a more proactive role in deciding with what forms of gambling they would like to become involved. As on-reserve casinos will have a large impact on the local community, the host First Nation must be able to provide input into the policy process so that its concerns and needs are heard.

2. Policies must consider social costs.

Policies that promote on-reserve casinos need to take into consideration the social costs that may be born by the local First Nation community. Research shows that Aboriginal and First Nation people may have a higher prevalence of problem gambling. First Nation leaders and policymakers therefore should be aware of the potential costs that higher levels of problem gambling on-reserves may bring due to increased exposure to casinos. At a minimum, economic development from First Nation casinos should be weighed against the potential cost of increased levels of problem gambling.

While all provinces in Canada have established programs to treat problem gambling, it may be prudent to develop gambling addiction programs that take into consideration the unique aspects of Aboriginal and First Nation culture. In the US it has been found that generalized problem gambling programs have not been very effective for Native Americans (Moore, 2000). Findings have suggested that community leaders, in addition to individual members of First Nation communities, should be made more aware of the potential addiction problems that increased exposure to gambling may present. While specific methods of treating gambling addiction may be best left to the individual First Nation community, levels of awareness about problem gambling risks need to increase. To help facilitate this, First Nations may want to slate funds from on-reserve casinos for gambling awareness programs within their communities.

In addition to developing programs that directly treat problem gamblers, programs to prevent problem gambling may want to focus on eliminating the many indirect factors present in First Nation communities that can lead to a higher incidence of gambling problems, such as low income and education, depression, alcoholism and high unemployment.

3. Revenues should be directed towards community development.

Revenues from First Nation casinos should be directed towards community development. As many First Nation communities are among the lowest income jurisdictions in Canada, with high levels of unemployment and low levels of infrastructure (Morse, 1997), the focus of introducing casinos should be to provide a source of capital to help improve socio-economic conditions on-reserve. Experiences from the US have shown that many of the most successful tribes hosting casinos on their reserves have implemented community development strategies to increase education, employment, and reduce levels of substance abuse within their communities.

Policymakers and First Nation leaders will also want to identify the overall policy goals of introducing casinos on First Nation reserves. It should be determined whether the introduction of on-reserve casinos is to provide revenues for the host First Nation or First Nations throughout

the province as a whole. As First Nations located near urban centers have a geographical advantage in attracting off-reserve patrons, the introduction of casinos may create disparities of wealth among First Nation communities. If on-reserve gambling is pursued as a way to aid community development for all First Nations people, mechanisms must be found to distribute a portion of revenues from casinos to First Nations throughout the province. This will help ensure that the introduction of on-reserve casinos in Canada will not increase economic inequalities among First Nation communities.

If casino revenues are to be divided and given directly to members within the local First Nation community, certain social and economic development prerequisites within the community should be met first. If per capita payments from First Nation casinos are to be permitted at all, they should only take place after economic and social development goals within First Nation communities have been met. Many American Indian Bands who operate successful tribal casinos have done this. The Pequots of Connecticut developed a strict incentive program whereby certain requirements, such as educational attainment by youth, must be met before a person can receive a lump sum remittance from the Foxwoods Resort and Casino.

4. First Nation casino expansion should emphasize industry sustainability.

Much of the success of US Indian Gambling comes from the fact that certain bands have had a monopoly or near-monopoly over legalized gambling in a particular State or region (Carmichael, 1998). In the case of the Foxwoods casino, the State of Connecticut agreed in 1993 to grant the casino and the nearby Mohegan reservation a monopoly on slot machines in exchange for 25% of slot machine profits. The sustainability of a First Nation casino industry in Canada may depend on agreements similar to Foxwoods, where the number and type of casinos in a region are restricted (Skea, 1997).

For the most part this has been happening indirectly within provinces in Canada. The fact that entry into the casino industry is highly regulated and that regional casino development plans have ensured that the provincial market for gambling has not become overcrowded assists the sustainability of gambling ventures in Canada. It may also be prudent for provincial governments to consult with adjacent provinces and states when approving casinos on-reserves.

Situations where many casinos operate marginally and try to attract the same patrons should be avoided. If too many First Nation casinos are introduced, casinos may not provide adequate revenues to aid the development of First Nation communities. If the economic benefits of on-reserve casinos are negligible, the end result may be that the social costs of First Nation casinos may outweigh the economic benefits.

Economic Diversification

The Choctaw Tribal Nation decided not to issue per capita remittances and instead chose to allocate all of its casino profits to a series of other ventures to create a diverse economic base. The results of their investments have been very successful, with over 6,700 jobs created for the tribal nation's work force of 2,700, requiring the band to employ people from outside of their reserve to satisfy labour demand. The Choctaw Nation became the first Indian tribe to move business operations offshore, with the opening of a factory in Mexico that employs over 1,700 people. They have also invested heavily in education, with a school system that has so much revenue that non-Indian families have applied to enroll their children in Choctaw tribal schools (Useem, 2000).

CONCLUSION

When the gambling industry in Canada initially began to develop, it was not predicted that gambling would generate as much revenue as it now does. Policies towards gambling were often developed in response to issues that emerged with industry expansion. While this approach has been relatively successful, the implementation of gambling policy has often lagged public concerns. With First Nations gambling policy, the provinces have the opportunity to develop a sound policy framework that will address current concerns before they develop into future problems. Policymakers have an advantage in that the experiences of tribal gambling throughout the US over the past two decades can act as an important reference for developing a policy framework for First Nation casinos.

The future of First Nation casinos in Canada should provide scope for mutual cooperation between the First Nations and provincial governments. Through cooperation rather than competition, provinces and First Nation groups may be able to pursue gambling agreements that provide future benefits for all of their communities, while minimizing social costs and inequalities.

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